

**TOWN OF HAMPTON MUNICIPAL COURT
HAMPTON, SOUTH CAROLINA**

**State Auditor's Report
April 30, 2006**

**TOWN OF HAMPTON MUNICIPAL COURT
HAMPTON, SOUTH CAROLINA**

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State of South Carolina



Office of the State Auditor

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RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

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October 6, 2006

The Honorable Mark Sanford, Governor
State of South Carolina
Columbia, South Carolina

The Honorable Lynn Sanders, Clerk of Court
Town of Hampton
Hampton, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain accounting records of the Town of Hampton Municipal Court for the period May 1, 2005 through April 30, 2006, was issued by Cline Brandt Kochenower & Co., P.A., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/trb

Richard H. Gilbert, Jr., CPA
Deputy State Auditor
Office of the State Auditor
Columbia, South Carolina

We have performed the procedures described below which were agreed to by the South Carolina Office of the State Auditor solely to assist these users in evaluating the performance of the Town of Hampton Municipal Court System and to assist the South Carolina Office of the State Auditor in complying with the 2005 - 2006 General Appropriations Act (H. 3716) Section 72.86. Lynn Sanders, Clerk of Court for the Town of Hampton is responsible for compliance with the requirements for the Municipal Court reporting and the South Carolina Office of the State Auditor is responsible for compliance with the requirements of the 2005 - 2006 General Appropriations Act (H. 3716) Section 72.86. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

1. TIMELY REPORTING BY THE CLERK OF COURT

- We researched South Carolina Code of Laws Section 14-25-85 to determine the definition of timely reporting with respect to the Clerk of Court's responsibility for reporting fines, fees and assessments to the Municipal Treasurer.
- We inquired of the South Carolina Judicial Department to determine their requirements for both the manner in which partial pay fines and fees are to be allocated and the timing of the report and remittance submissions by the Clerk and the Treasurer.
- We inquired of the Clerk of Court and Municipal Treasurer to gain an understanding of their policy for ensuring timely reporting and to determine how the treasurer specifically documents timeliness.
- We inspected documentation, including the Clerk of Court Remittance Forms or equivalents for the months of May 1, 2005 through April 30, 2006 to determine if the Clerk of Court submitted the reports to the municipal treasurer in accordance with the law.

Our finding is reported under "TIMELY REPORTING BY THE CLERK OF COURT" in the Accountants' Comments section of this report.

2. TIMELY ACCURATE RECORDING AND REPORTING BY THE TOWN

- We traced each month's reporting by the Clerk of Court to the Municipal Treasurer's Office and to the Town's general ledger accounts for the assessments (Sections 14-1-208(A), (B) and (D)) and victim's assistance surcharge (Section 14-1-211) for the period May 1, 2005 to April 30, 2006.
- We compared the amounts reported on the Clerk of Court Remittance Forms or equivalents to the Clerk of Court's software system-generated report summaries for three judgmentally determined test months. We tested the system-generated reports for compliance with various laws including Section 35.11 of the General Appropriations Act for the fiscal year 2005 – 2006 and with South Carolina Judicial Department training instructions and interpretations.
- We judgmentally selected and compared individual fine and assessment amounts recorded in the Clerk of Court's software system-generated detail reports to the Judicial Department guidelines' range for the offense code to see if the fine and assessment were within the minimum and maximum range.

Our findings are reported under "TIMELY ACCURATE RECORDING AND REPORTING BY THE TOWN" in the Accountants' Comments section of this report.

3. PROPER VICTIM'S ASSISTANCE FUNDS ACCOUNTING

- We inquired as to the format determined by Town council and local policy for record keeping as it relates to fines and assessments in accordance with Section 14-1-208(E)(4).
- We compared the fiscal year-ended February 28, 2006 audited Victims' Rights Fund fund balance with all adjustments to the fund balance shown in the Schedule of Fines, Assessments and Surcharges on Schedule 4 of the audited financial statement and to the beginning fund balance as adjusted in that fund for fiscal year 2005.
- We verified the Victims' Rights Fund reimbursable expenditures were in compliance with Section 14-1-208(E) and Section 14-1-211(B).

We found no exceptions as a result of the procedures.

4. TIMELY ACCURATE REPORTING TO THE STATE TREASURER

- We vouched the amounts reported in the South Carolina State Treasurer's Revenue Remittance Forms to Clerk of Court Remittance Forms or equivalents for the period May 1, 2005 to April 30, 2006.
- We scanned the South Carolina State Treasurer's Revenue Remittance Forms for timely filing in accordance with Section 14-1-208(B).
- We traced amounts recorded in the Town's financial statement Schedule of Fines, Assessments and Surcharges on Schedule 4 of the year ended February 28, 2006 report related to fines and assessments revenues reporting in accordance with Section 14-1-208(E) to supporting schedules used in the audit to comply with Section 14-1-208(E).
- We traced and agreed amounts in the supporting schedules to the Clerk of Court Remittance Forms or South Carolina State Treasurer's Revenue Remittance Forms.

Our findings are reported under "TIMELY ACCURATE REPORTING TO THE STATE TREASURER" in the Accountants' Comments section of this report.

We were not engaged to, and did not conduct an audit the objective of which would be the expression of an opinion on compliance with the collection and distribution of court generated revenue at any level of court for the twelve months ended April 30, 2006 and, furthermore, we were not engaged to express an opinion on the effectiveness of the internal controls over compliance with the laws, rules and regulations described in paragraph one and the procedures of this report. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Office of the State Auditor, Chairmen of the House Ways & Means Committee, Senate Finance Committee, House Judiciary Committee, Senate Judiciary Committee, State Treasurer, Office of Victim Assistance, Chief Justice and the Governor and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "R. H. Gilbert, Jr.", with a stylized flourish at the end.

September 7, 2006

ACCOUNTANTS' COMMENTS

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**SECTION A - MATERIAL WEAKNESSES AND/OR VIOLATIONS OF STATE LAWS,
RULES OR REGULATIONS**

The procedures agreed to by the agency require that we plan and perform the engagement to obtain reasonable assurance about whether noncompliance with the requirements of State Laws, Rules, or Regulations occurred and whether internal accounting controls over certain transactions were adequate. Management of the entity is responsible for establishing and maintaining internal controls. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Therefore, the presence of a material weakness or violation will preclude management from asserting that the entity has effective internal controls.

The conditions described in this section have been identified as material weaknesses or violations of State Laws, Rules, or Regulations.

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TIMELY REPORTING BY THE CLERK OF COURT

TIMELY FILING

CONDITION: Nine of the Clerk's monthly transmittals of fine and assessment revenue reports for the period of May 1, 2005 through April 30, 2006 were not timely filed. The May, June and July 2005 reports were on time, the remaining reports were from two to forty-two days late.

CRITERIA: South Carolina Code of Laws Section 14-17-750 requires that the Clerk make a full and accurate statement, in writing, to the Town Auditor and Treasurer, of all monies collected on account of licenses, fines, penalties and forfeitures during the past month, on the first Wednesday or within ten days thereafter, in each successive month.

CAUSE: The clerk in the police department was unable to submit reports in a timely fashion and has since been replaced.

EFFECT: The Clerk of Court did not submit reports timely as defined by Section 14-17-750.

AUDITORS' RECOMMENDATION: We recommend the Clerk of Court implement procedures to ensure timely submission.

TIMELY ACCURATE RECORDING AND REPORTING BY THE TOWN

PROPER ASSESSMENTS ON FINES

CONDITION 1: Town ordinance violations that appear to be traffic in nature are not having the Law Enforcement Surcharge or the Conviction Surcharge consistently applied. The Clerk of Court software system, on what appears to be the same town ordinance violation, is assessing the Law Enforcement Surcharge to one violator and not to the next violator. The Law Enforcement Surcharge should be assessed on every violation. However, if this ordinance is traffic in nature, it should not assess a Conviction Surcharge.

CRITERIA: South Carolina Code of Law Section 14-1-211(A)(1) states in regards to the Conviction Surcharge "The surcharge must not be imposed on convictions for misdemeanor traffic offenses." Proviso 73.2(A) of the 2005-2006 Budget Bill states in regard to the Law Enforcement Surcharge "In addition to all other assessments and surcharges, during the current fiscal year, a twenty-five dollar surcharge is also levied on all fines, forfeitures, escheatments, or other monetary penalties imposed in the general sessions court or in magistrates' or municipal court for misdemeanor traffic offenses or for nontraffic violations.

CAUSE: The software fine tables have been set up incorrectly

EFFECT: The Law Enforcement Surcharge is not assessed on every violation as the law requires.

AUDITORS' RECOMMENDATION: The Town should have the fine tables corrected so that the proper amounts are assessed for the Law Enforcement Surcharge on every violation and the Conviction Surcharge is assessed on all non-traffic violations.

CONDITION 2: The Town is levying an assessment and a Law Enforcement Surcharge on the Child Restraint violation. This violation should not have either amount assessed to it.

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CRITERIA: Section 56-5-6450 provides that no assessments or surcharges shall be added to violations of the child passenger restraint systems requirement.

CAUSE: The software fine tables have been set up incorrectly

EFFECT: Amounts are assessed when they should not be. The Town has collected money it should not have assessed from violators of the Child Restraint law.

AUDITORS' RECOMMENDATION: The Town should have the fine tables corrected so that the proper amounts are assessed for the Child Restraint violation.

TIMELY ACCURATE REPORTING TO THE STATE TREASURER

TIMELY FILING

CONDITION: Eleven State Treasurer's Revenue Remittance Reports for the period of May 1, 2005 through April 30, 2006 were not timely filed. The July 2005 report was on time, the remaining reports were from two to forty-two days late.

CRITERIA: South Carolina Code of Laws Section 14-17-750 and 14-1-208(B). Section 14-17-750 requires that the Clerk make a full and accurate statement, in writing, to the Town Auditor and Treasurer, of all monies collected on account of licenses, fines, penalties and forfeitures during the past month, on the first Wednesday or within ten days thereafter, in each successive month. Section 14-1-208(B) states "The town treasurer must remit ... the assessment revenue to the State Treasurer on a monthly basis by the fifteenth day of each month"

CAUSE: The Clerk of Court did not submit the reports to the Town Treasurer timely for nine months. As a result the Town Treasurer was unable to submit the reports in accordance with the requirements of Section 14-1-208 (B) for those months. The Town Treasurer did not submit two of the reports timely because of the need to gain separate signatures on the checks.

EFFECT: The Town did not comply with the law regarding the timeliness of filing.

AUDITORS' RECOMMENDATION: We recommend the town implement procedures to comply with the timeliness of filing laws.

SCHEDULE OF FINES AND ASSESSMENTS

CONDITION: The Town's Schedule 4 in their audited financial statements did not include the total carry forward of Victims' Assistance Funds at year end. The Schedule contained an amount for carry forward of \$3,566. This amount pertains to the current year excess only. The total carry forward at year-end was \$75,105.

CRITERIA: South Carolina Code of Laws Section 14-1-208(E)(1) states "the supplementary schedule must include the following elements: (f) the total funds, by source, allocated to victim services activities, how those funds were expended, and any balances carried forward.

CAUSE: The Town understood the law to mean only current year amounts carried forward.

EFFECT: The total amount of all funds available for carry forward is not disclosed.

AUDITORS' RECOMMENDATION: The schedule should include any funds available for carry forward including balances left over from prior year carry forwards and unspent.

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SECTION B - OTHER WEAKNESSES NOT CONSIDERED MATERIAL

The conditions described in this section have been identified as weaknesses subject to correction or improvement but they are not considered material weaknesses or violations of State Laws, Rules, or Regulations.

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TIMELY ACCURATE RECORDING AND REPORTING BY THE TOWN

ACCRUAL BASIS ACCOUNTING

CONDITION: The Town's general ledger is not on the accrual basis. Transactions are processed as time allows. Transactions are processed as much as two months after the fact. The general ledger did not reflect the amounts in the Schedule of Fines and Assessments because no accruals were made.

CRITERIA: To be effective an accounting system must provide management with timely, accurate financial information.

CAUSE: The Town does not timely process transactions during peaks in workload.

EFFECT: Management is unable to make sound financial decisions because the bookkeeper does not post accounting transactions to the books and records on a timely basis.

AUDITORS' RECOMMENDATION: The Town should implement procedures to ensure transactions are processed on a timely basis.



Town of Hampton

608 FIRST STREET, WEST
HAMPTON, SOUTH CAROLINA 29924

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October 24, 2006

Mr. Steve Blake CFE, CPA
PO Box 848
Gaffney, SC 29342

Dear Mr. Blake:

I am responding to the State Auditor's Report dated April 30, 2006.

Timely Filing

Police Chief Perry McAlhaney and Clerk of Treasure, Lynn Sanders, are aware of the problem. Steps have been taken to ensure the reports are filed timely.

Proper Assessments on Fines

CONDITION 1

Police Chief Perry McAlhaney has spoken with the programmer concerning Law Enforcement Surcharge or the Conviction Surcharge not being consistently applied. Any errors found will be corrected.

CONDITION 2

The police department was aware of Law # 277 which added assessment and a Law Enforcement Surcharge on the Child Restraint violation effective May 06. The new assessments were installed on the software around March 06 in anticipation of Law #277. All appropriate surcharges were sent to the State as mandated. The tables are correct since Law #277 is now in effect.

Schedule of Fines and Assessments

The Town's Auditor is aware of the requirements and the carry forward balance will be included in the schedule.

Accrual Basis Accounting

Steps have been implemented to ensure transactions are processed on a timely basis.

The Town of Hampton's endeavor is to have accurate and complete records and will implements steps to ensure that goal is met.

Sincerely,

Christine H. James
Finance Director